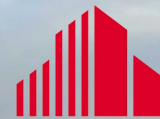


MARKETBEAT

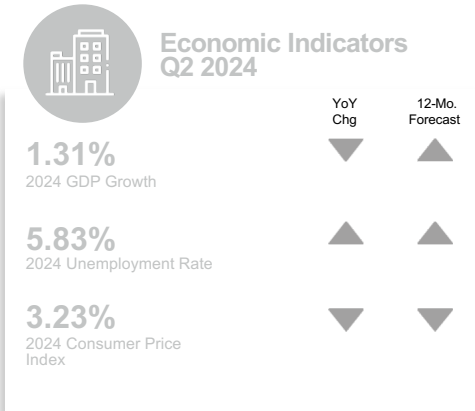
BELGIUM

Regional Office

Q2
2024



CUSHMAN &
WAKEFIELD



Sources: Moody's Analytics, BNB, Eurostat, Federal Planning Bureau, June 2024

Please note the economic data can vary significantly from one source to the other. Therefore, the figures provided should merely be used as an indication or trend.

Steering through uncertainty

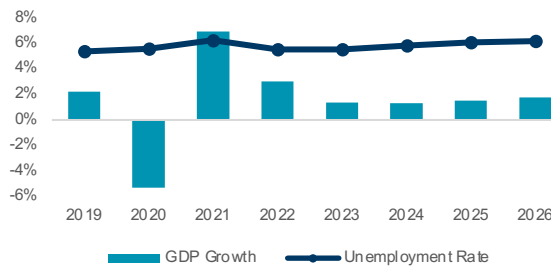
Belgium's economic landscape in the second quarter of 2024 is marked by a blend of cautious optimism and underlying challenges. As we progress through this election year, a period often associated with heightened economic uncertainty, the Belgian economy is projected to grow modestly. GDP growth for 2024 has been revised downwards from previous forecasts to 1.31%, with a slight uptick to 1.54% anticipated in 2025. This steady but slow climb comes amidst concerns about the country's public debt. Despite previous high inflation aiding in the reduction of the government debt ratio in 2022, projections indicate that without significant policy changes, government debt could escalate, reaching 130% of GDP by 2030.

In June 2024, the European Central Bank (ECB) cut interest rates for the first time in nearly a year, prompted by a slowdown in eurozone inflation. However, in Belgium, inflation surged again in the first half of 2024, with an estimated rate of 3.23% for the entire year. Inflation is expected to approach the ECB's 2% target by 2025. This recent rise in Belgian inflation complicates the ECB's task, requiring them to closely monitor price trends in the coming months before considering another rate cut.

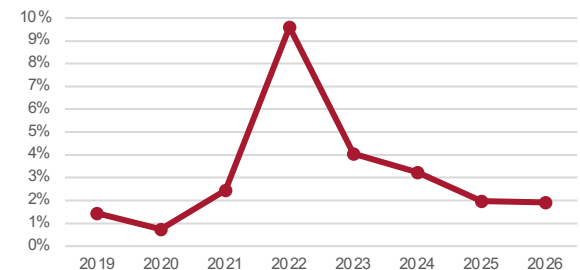
Belgium's unemployment rate, which hovered around 5.5% in 2023, has shown a worrying upward trend in recent months, currently standing at 5.8%. Experts predict it could climb even higher in the coming years due to several factors. The ongoing war in Ukraine has sent shockwaves through the global economy, with Belgium feeling the impact through higher energy prices, up over 20% year-on-year, and significant supply chain disruptions. These challenges have forced businesses to tighten their belts, leading to layoffs and an increase in bankruptcies. Stricter financing terms and an uncertain economic landscape further contribute to the rising unemployment rate, painting a complex and challenging picture for the job market in Belgium.

Overall, the economic outlook for Belgium in Q2 2024 reflects a period of cautious growth, with inflation and unemployment posing significant challenges. The upcoming elections across the world add a layer of unpredictability, impacting business confidence and economic forecasts.

GDP Growth and unemployment rate



Inflation rate



Slight dip from 5-year average but significant growth over H1 2023

By mid-year, the national take-up reached almost 310,000 sq m across 351 transactions. This figure is nearly 5% below the five-year average but still almost a third higher than in H1 2023.

While the Brussels market accounts for 60% of national activity, the regional markets also saw substantial activity, recording nearly 130,000 sq m of take-up, with Flanders leading the way and representing nearly 90% of the demand.

Robust take-up backed by public bodies

The Flanders office market has demonstrated remarkable resilience and robust demand in the second quarter of 2024. Office take-up reached 57,000 sq m during this period, contributing to a total of 130,000 sq m for the first half of the year. This above-average performance underscores the market's strength, especially in the face of broader economic uncertainties affecting other regions.

Ghent and Antwerp have been the primary drivers of this robust demand, collectively accounting for almost two-thirds of the overall take-up in Q2. A significant factor in this quarter's performance has been the active involvement of public sector entities, which have played a larger role than usual in the market dynamics.

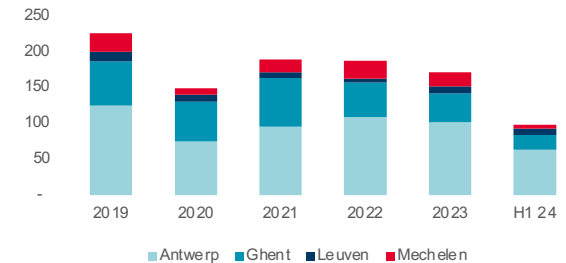
The public sector signed the two largest transactions this quarter, underscoring its critical influence. In Ghent, Farys acquired 10,000 sq m from a project to be developed by Banimmo in *The Loop* area of the Zuid district. Meanwhile, in Antwerp, the VDAB employment agency pre-let 8,200 sq m in *Pulse*, part of the ambitious *Copernicus 2.0* redevelopment project.

Prime rents steady with prospects for future growth

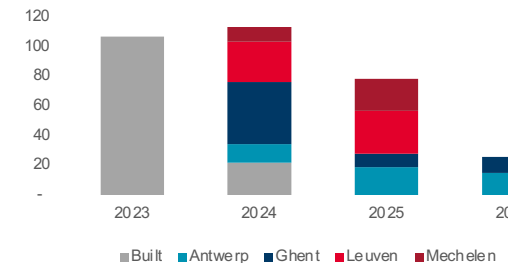
After an increase recorded in all major markets in Flanders in Q1, prime rents remained unchanged during the second quarter. However, the positive dynamics observed in the markets, coupled with future deliveries, could see prime rents increase further in the coming quarters.

Prime rents remain at 190€/sq m/year for Antwerp, 175€/sq m/year for Ghent, and 170€/sq m/year and 160€/sq m/year for Mechelen and Leuven, respectively.

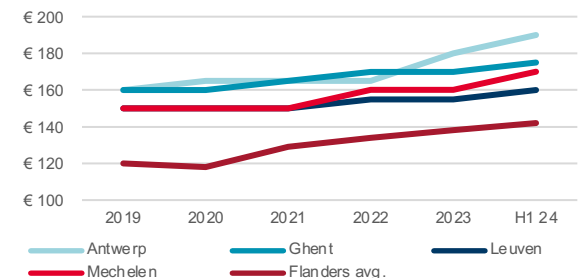
Flanders take-up per district (000s sq m)



Flanders pipeline (000s sq m)



Flanders rents (EUR/sq m/year)



Walloon office market struggles

The Walloon office market continues to reflect the national trend of lower activity, with particularly stark dynamics this semester. In H1, the region recorded a total take-up of just 12,000 sq m, highlighting a concerning downward trend that has persisted since 2020. This figure is significantly below the five-year average, marking a 70% decline, which underscores the ongoing challenges within the market.

Liège once again led the region in activity, recording 4,206 sq m of take-up in Q2. This consistent performance contrasts with the broader sluggishness of the market but is insufficient to counterbalance the overall decline. Namur, however, saw a notable development this quarter, recording its first transactions of the year with a total of 3,202 sq m of take-up. Notably, the three largest transactions of the quarter occurred in Namur, driven significantly by the Belgian administration's activities.

A highlight in Namur's performance was the Federal Agency for the Safety of the Food Chain (AFSCA) securing 1,600 sq m in the *Green Park*, demonstrating the public sector's role in bolstering market activity.

Despite these positive developments, Charleroi remains a point of concern with no recorded take-up in its office market, continuing a trend of stagnation.

Overall, the Walloon office market faces considerable headwinds, with activity levels substantially below historical norms.

Average rents are rising

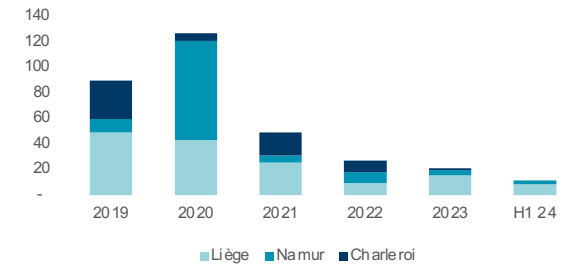
In line with the trends observed in the other regions of the country, Wallonia experienced a stabilization of prime rents during the second quarter.

The slow market dynamics in Wallonia have constrained the growth of prime rents.

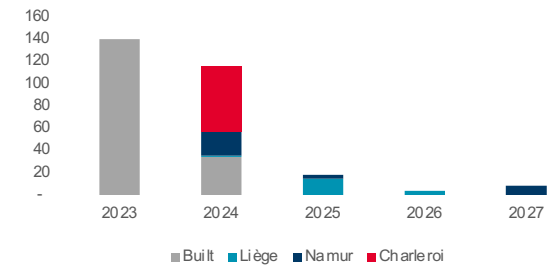
Prime rents remain at 165€/sq m/year for Liège, 160€/sq m/year for Namur, and 145€/sq m/year for Charleroi.

However, in a somewhat paradoxical development, the significant take-up of Grade A office space in Wallonia during the first half of 2024 has driven an increase in average rents.

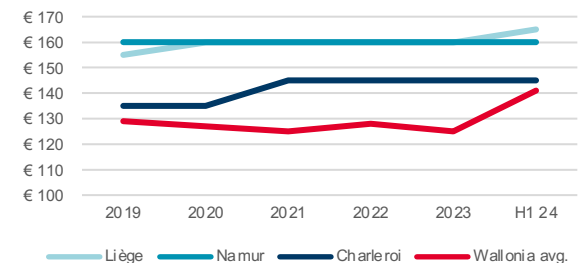
Wallonia take-up per district (000s sq m)



Wallonia pipeline (000s sq m)



Wallonia rents (EUR/sq m/year)

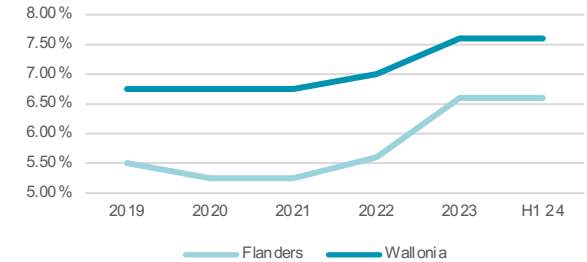


Prime yields remained unchanged

In Q2 2024, the Belgian office market remains in a state of anticipation following the ECB's recent rate cut of 25 basis points on June 24. Despite this monetary easing, the spread between the policy rate and prime yields remains uncomfortably narrow, indicating persistent uncertainty among investors. Compounding this is the lack of market evidence, as there have been no transactions in this period, reflecting cautious market sentiment. Given these conditions, we estimate that prime yields will remain unchanged this quarter.

The static nature of yields highlights the ongoing challenges in the market, underscoring the need for more significant economic catalysts to stimulate activity and shift yield dynamics.

Prime yields

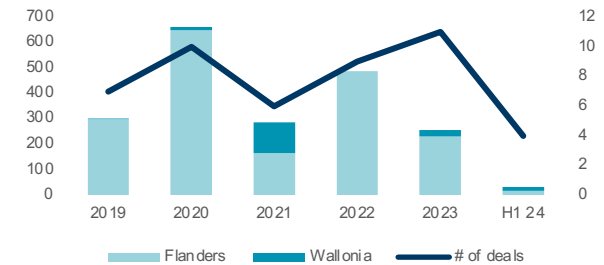


Volumes remain incredibly low

Despite the ECB rate cuts aimed at stimulating economic growth, the anticipated boost in investment has yet to materialize. This quarter, only one transaction was recorded: Intervest sold *Kontichsesteenweg 54* in Antwerp to SmartUnit for 3.2 MEUR. This sale is part of Intervest's strategic policy to divest all office buildings following the takeover by TPG.

The subdued activity highlights the challenges faced by investors in the current economic environment. The economic uncertainty has led to more cautious investment strategies, with many investors holding off on major acquisitions. The limited transaction volume this quarter underscores the hesitancy in the market.

Annual investment volumes (MEUR)

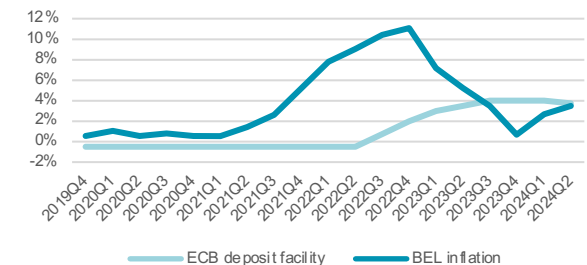


Beyond rate cuts – inflation's rise

Following the ECB's recent rate cut of 25 basis point in June, inflationary pressures have intensified, driven by higher household consumption as the economy recovers from previous downturns. Energy prices, in particular, have surged significantly recording year-over-year increases exceeding 33%, further elevating the cost of living and operational expenses.

This inflationary spike poses challenges for the Brussels office market, as rising costs may dampen business investment and tenant demand. Consequently, market participants are closely monitoring these economic trends to gauge their long-term impact on the sector's stability and growth.

ECB Interest rate vs Belgian Inflation



Market Statistics

REGION	MARKET	STOCK (SQ M)	AVAILABILITY (SQ M)	VACANCY RATE	Q2 2024 TAKE-UP (SQ M)	TAKE-UP 2024 (SQ M)	UNDER CONSTRUCTION (SQ M)	PRIME RENT (€/sq m/year)	PRIME YIELD
Flanders	Antwerp	2,425,056	115,995	4.78%	22,986	63,464	27,544	190	6.60%
	Ghent	1,124,747	42,162	3.74%	15,637	20,855	62,049	175	6.60%
	Leuven	578,830	20,792	3.59%	7,110	8,654	55,900	160	7.35%
	Mechelen	288,176	n.a.	n.a.	2,174	5,473	31,300	170	7.35%
Wallonia	Liège	598,762	12,768	2.13%	4,206	8,364	20,000	165	7.60%
	Namur	615,871	13,095	2.13%	3,202	3,202	22,110	160	7.60%
	Charleroi	509,180	20,467	4.02%	-	-	58,000	145	7.85%

Key Lease Transactions Q2 2024

PROPERTY	MARKET	TENANT	SQ M	TYPE
The Loop	Ghent	TMW / Farys	10,318	Purchase
Copernicus – Pulse	Antwerp	VDAB	8,168	Pre-Letting
Zuidoever	Leuven	De Hoorn	4,000	Purchase
Zuidoever	Leuven	Sweco	2,000	Pre-letting
Greenhouse Collection	Antwerp	Yuki	1,800	Letting

Key Investment Transactions Q2 2024

PROPERTY	MARKET	BUYER / SELLER	VOLUME (MEUR)	YIELD
Kontichsesteenweg 54	Antwerp	SmartUnit / Intervest	3.2	-



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